

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**JUNE 25, 1999**

**IN RE:**

**PETITION OF ARDMORE TELEPHONE COMPANY INC.  
FOR APPROVAL OF (A) A LOAN IN THE AMOUNT OF  
TWELVE MILLION SEVEN HUNDRED FIFTY THREE  
THOUSAND AND NO/100 DOLLARS (\$12,753,000.00) FROM  
THE RURAL UTILITIES SERVICE OF THE UNITED  
STATES DEPARTMENT OF AGRICULTURE AND (B) A LOAN  
IN THE AMOUNT OF (\$7,439,250) FROM THE RURAL  
TELEPHONE BANK.**

**DOCKET NO.  
99-00085**

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**ORDER APPROVING ISSUANCE OF DEBT**

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This matter came before the Tennessee Regulatory Authority ("Authority") upon the petition of Ardmore Telephone Company, Inc. ("Ardmore"), filed on February 9, 1999, and the supplement to the petition filed March 3, 1999. By these filings, the Company seeks approval of a loan from Rural Utilities Services ("RUS") in the amount of \$12,753,000, a loan in the amount of \$7,439,250 from the Rural Telephone Bank ("RTB"), and authority to execute such notes, loan agreements, and other instruments as may be necessary or required by the lenders pursuant to Tenn. Code Ann. § 65-4-109.

The Authority considered this matter at its regularly scheduled Authority Conference held on March 16, 1999. After consideration of the entire record, the applicable laws and statutes, and particularly the requirements of Tenn. Code Ann. § 65-4-109, the Authority concludes that the

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Company's petition should be granted. In support of our decision, we make the following findings of fact and conclusions of law:

1. The Company is a corporation organized and existing under the laws of the State of Tennessee, with its principal office at Ardmore, Tennessee. It is a public utility, as defined in Tenn. Code Ann. § 65-4-101 and is engaged in furnishing general telephone service in Giles and Lincoln Counties, Tennessee and in Limestone and Madison Counties, Alabama. It serves subscribers in the State of Tennessee from its Ardmore, Minor Hill, and McBurg Exchanges, and it serves subscribers in Alabama from its Ardmore, New Market, and Elkmont Exchanges.

2. The Company applied for and has received a preliminary commitment for a loan in the amount of \$12,753,000 from the RUS. Under the terms and conditions of this loan, each advance is to bear interest at a rate fixed on the date of each such advance and determined in accordance with section 305(d)(2)(A) of the Rural Electrification Act of 1936 as amended (7 U.S.C. § 935(d)(2)(A)) and the implementing regulations (7 CFR § 1735.31(c)), provided however that the rate may exceed seven (7) percent per year (P.L. 104-180, 110 Stat. 1587). The loan from the RTB is in the amount of \$7,439,250.00. Under the terms and conditions of this loan, each advance is to bear interest at a rate fixed on the date of each such advance and determined in accordance with Section 408(b)(3) of the Rural Electrification Act of 1936 as amended (7 U.S.C. § 984(b)(3)) and the implementing regulations as amended from time to time (hereinafter collectively the "Loans").

3. The Company proposes to use the proceeds of said Loans to (a) connect 2,231 new subscribers; (b) install a digital control office host switch in the Ardmore central office; (c) convert central offices to large remote switching terminals; (d) provide RSTs and carrier/concentrator units throughout the Company's system; (e) provide fiber optic cable throughout the Company's system;

and (f) make other system improvements as well as the purchase of land for thirty eight (38) new wire centers which includes RST buildings. In addition, \$354,250.00 will be used for investment in RTB Class B stock. The stock will be issued at the time of each RTB loan fund advance, and will be issued in an amount equal to five percent (5.0%) of such advance.

4. The payment of the Notes is secured by a mortgage on all of the Company's real property.

5. The Company is subject to regulation and supervision by the Authority pursuant to Chapter 4 Title 65 of Tennessee Code Annotated. The petition filed by the Company as well as the relief it requests is pursuant to Tenn. Code Ann. § 65-4-109.

6. The use of the proceeds of these Loans as set out in the petition, and the financing for these permanent improvements have been approved by the Board of Directors of the Company, subject to the approval of this Authority, and the proposed financing and construction of facilities as set out therein, are necessary, proper and in the best interest of the Company and the subscribers it serves.

7. The proposed Loans in the amount of \$12,753,000.00 from RUS and \$7,439,250.00 from RTB at the interest rates set forth provide an excellent cost rate to the Company and are lower in comparison to alternate long-term debt capital costs available to a company of this size. We conclude that these Loans are necessary and in the best interest of the Company and its customers. Therefore, the Authority approves the Loans and authorizes the Company to take all the necessary steps as set out in its petition and exhibits thereto pursuant to Tenn. Code Ann. § 65-4-109.

**IT IS THEREFORE ORDERED:**


1. That the Company is hereby authorized to borrow the sum of \$12,753,000 from RUS and the sum of \$7,439,250 from RTB according to the terms and conditions and for the purposes as set out herein and in the petition and exhibits thereto and to execute such loan agreements, notes and other instruments as may be required by the lenders, all pursuant to Tenn. Code Ann. § 65-4-109.

2. That the authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Ardmore Telephone Company, Inc. securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.

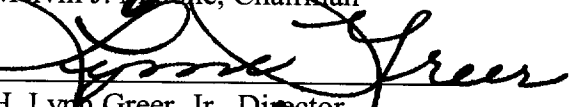

3. That any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.

4. That any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

ATTEST:



K. David Waddell, Executive Secretary

  
Melvin J. Malone, Chairman  
H. Lynn Greer, Jr., Director  
Sara Kyle, Director